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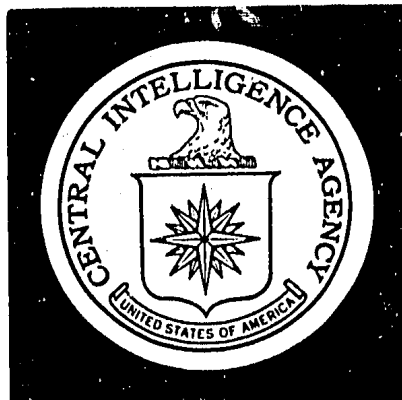


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DIRECTORATE OF
INTELLIGENCE

Intelligence Memorandum

Informal US-Hungarian Civil Aviation Discussions

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April 1970

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CENTRAL INTELLIGENCE AGENCY
Directorate of Intelligence
April 1970

INTELLIGENCE MEMORANDUM

Informal US-Hungarian Civil Aviation DiscussionsIntroduction

US and Hungarian civil aviation officials are scheduled to begin informal discussions during the last week in April, possibly leading to future negotiation of a bilateral civil air agreement. This memorandum examines the background of these discussions, the scope of Hungarian international civil air operations, and the traffic potential of a New York - Budapest service.

Forthcoming US Civil Air Discussions with Hungary

1. Sandor Huvos, Director General of the Hungarian Department of Civil Aviation, and Gyorgy Lenart, Director General of MALEV, the Hungarian state airline, are scheduled to arrive in Washington the week of 27 April 1970 for informal discussions without agenda with US aviation officials [REDACTED]. These talks may lead to more formal negotiations. One of the most difficult matters surrounding the discussion of an air agreement with a Communist country is the condition under which a US airline can conduct business in that country, particularly with regard to the

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sale of tickets and the right to convert currency. This matter has delayed past US negotiations with Czechoslovakia, Yugoslavia, and Romania.

2. Hungary first expressed a formal interest in an air agreement with the United States in mid-1969 after earlier informal approaches to Pan American Airways (PAA). PAA originally proposed an inter-line agreement with MALEV, under which the latter would lease blocks of seats on PAA flights between New York and Budapest. MALEV rejected this proposal, ostensibly because of the unsettled state of trans-Atlantic fares. It is more likely, however, that the rejection was based on a reluctance to approve unilateral PAA service to Budapest before intergovernmental discussions had begun. PAA submitted a modified proposal to MALEV in January, 1970.

3. At present, MALEV could not compete successfully on a New York - Budapest route because of a lack of long-range jet aircraft. However, a Soviet IL-62 is scheduled for delivery to MALEV in late 1970 and another in 1971. In the event that an air agreement is concluded before these aircraft are ready for service, Hungary might permit PAA to initiate a unilateral service to Budapest.

Hungary's International Civil Air Relations

4. Hungary has civil air agreements with all of the Warsaw Pact countries, as well as with Albania, Yugoslavia, Cuba, and 27 Free World countries. Agreements have been concluded with most of the countries of Western Europe and with 13 countries in Africa and Asia. Hungary has no air agreements with any country of the Western Hemisphere except Cuba (see Table 1).

5. In late 1969, Hungary joined the International Civil Aviation Organization (ICAO), becoming the last of the East European countries except East Germany to do so. MALEV has not yet joined the International Air Transport Association (IATA) but accepts most of the IATA fares on routes to the Free World and generally conforms to IATA practices.

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6. Sixteen foreign carriers serve Hungary with more than 50 flights per week. About half of these flights are by ten Free World airlines (see Table 2), principally the major carriers of Western Europe, and the remainder by six Communist airlines -- Aeroflot and the five East European airlines. Budapest's Ferihegy Airport handles all of Hungary's scheduled international flights.

7. MALEV operates more than 65 scheduled international flights per week, about evenly divided between 22 Free World countries and seven Communist countries. This is a smaller number of international flights than are scheduled by the airlines of Czechoslovakia or Poland but more than are performed by the airlines of Romania, Bulgaria, or East Germany. About 10% of MALEV's international flights are labeled "summer" service, although some of them apparently continue throughout the year. MALEV makes more flights to the USSR (two per week to Leningrad, three to Kiev, and daily service to Moscow) than to any other country. Hungary's East European neighbors are served two to three times a week, except Albania which is served by a weekly MALEV flight to Tirana via Belgrade (see Table 3).

8. MALEV serves the Free World and Yugoslavia over an unduplicated route network of more than 14,500 miles. MALEV flies three times a week to Vienna and London and once or twice a week to the other 23 Free World cities it serves. Until the mid-1960s, its service was almost exclusively European. Since 1966, it has extended service to the Middle East and North Africa. At the same time, the frequency of flights within Europe has been increased and the existing route network consolidated to improve profitability. The emphasis on profitability was underscored by the decision of the Hungarian Ministry of Transport in late 1968 to drop all domestic service except flights between Budapest and Debrecen. Thus MALEV is now almost exclusively an international carrier. MALEV's service is carried out by a staff of more than 1,350 people, including about 60 pilots, 26 flight engineers, and 16 navigators.

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9. In 1970, MALEV probably will carry more than 250,000 passengers on its international flights, more than 60% of them on routes to the Free World. Since 1961 the number of passengers carried to Free World and Communist countries has increased sharply as shown in the following tabulation:

<u>Year</u>	<u>Thousand Passengers</u>		
	<u>Free World</u>	<u>Intra-Communist ^{a/}</u>	<u>Total</u>
1961	29	43	72
1964	78	53	131
1967	120	83	203
1968 <u>b/</u>	130	87	217
1969 <u>b/</u>	141	94	235

a. Including Yugoslavia.

b. The breakdown of the 1968 total and all figures for 1969 are estimates.

Soviet Influence

10. MALEV, like the other airlines of Eastern Europe, reflects the strong Soviet influence that shaped the post-World War II history of East European civil aviation. In 1946 the USSR and Hungary established a joint air carrier, Maszovlet, which began as a domestic service and gradually extended its routes to the USSR and the rest of Eastern Europe. The USSR supplied all of the aircraft, most of the equipment, and some of the personnel. In 1954, Hungary and the USSR signed a bilateral civil air agreement, and the airline became the exclusive property of Hungary under

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the new name of MALEV. The new airline then began gradually to extend its routes to Free World countries.*

11. MALEV still uses Soviet aircraft exclusively, and no change in this policy is expected. Although the IL-18 remains the workhorse of Hungary's international routes, the new short- to medium-range TU-134 jet is used on about one-fourth of the weekly flights. Often during the past year, however, IL-18s have replaced the scheduled TU-134s because of operational problems. One TU-134 was seriously damaged in a landing accident in Turkey, but since at least 1965 MALEV has had no fatal accidents on scheduled international flights. Since the cutback in domestic service, some aircraft (LI-2s and IL-14s) have been transferred to other ministries. MALEV's current inventory includes the following:

<u>Aircraft</u>	<u>Number of Units</u>
IL-14	4
IL-18	7
TU-134	5 1 (on order)
IL-62	2 (on order)

12. Both MALEV's route network and frequency of service probably will expand modestly during the next few years. Current routes to the Middle East may be extended to Khartoum, Addis Ababa, Baghdad, and Teheran on the basis of existing air agreements. In addition, the Hungarian-Indian air agreement signed in 1966 provides a basis for a Budapest - New Delhi flight. MALEV could operate such a service via Moscow or via the Middle East. Hungary may seek an air agreement with Canada that would provide for MALEV

* Vienna in 1956; Copenhagen, Brussels, and Amsterdam in 1958; Zurich and Stockholm in 1959; Frankfurt, Paris, and Rome in 1960; London in 1961; Helsinki in 1962; Athens, Cairo, and Munich in 1963; Milan in 1964; Nicosia and Damascus in 1965; Beirut in 1966; Istanbul in 1967; Luxembourg in 1968; Oslo and Tunis in 1969; and Morocco in 1970.

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service to Montreal as an intermediate stop on any future service between Budapest and New York.

New York - Budapest Service

13. The Eastern European Director of PAA has estimated that there is a maximum traffic potential of 8,000 passengers annually in both directions on the New York - Budapest route. This would be an average of 38 passengers per flight, with one flight per week by PAA and one by MALEV. This would not be enough passengers to make the service profitable.

14. This estimate may be low, however, as more than 40,000 US nationals visited Hungary in 1969, and almost 5,000 Hungarian nationals visited the United States. If 25% of the US nationals were to fly the New York - Budapest route (the remainder stopping off elsewhere in Europe) and 80% of the Hungarian nationals used this route, the traffic flow would be 28,000 passengers in both directions, or an average of 135 passengers per flight. Such a flow would necessitate additional flights, at least during the summer.

15. The route could be made more profitable by the addition of intermediate stops with onward traffic rights, possibly at Amsterdam or Copenhagen for PAA and at Montreal for MALEV. Another option for PAA would be to extend its New York - Glasgow - Prague flight to Budapest.

Conclusions

16. Forthcoming civil air discussions between the United States and Hungary stem from a mutual desire by PAA and MALEV to establish a New York - Budapest route. The potential traffic on this route appears to be sufficient to support weekly flights by both airlines and would earn for Hungary both hard currency and prestige. An air agreement between the United States and Hungary probably would require a year or more to conclude, judging by past US experience in negotiating air agreements with East European countries. MALEV, in any event, would not be ready to initiate service before mid-1971.

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Table 1

**Civil Air Agreements of Hungary with Free World
Countries, Cuba, and Yugoslavia
as of March 1970**

<u>Countries</u>	<u>Date of Agreement</u>
Austria	1959
Belgium	1957
Cuba	1969
Cyprus	1964
Denmark	1958
Ethiopia	1965
Finland	1962
France	1960
Ghana	1961
Greece	1963
India	1966
Iran	1967
Iraq	1960
Italy	1960
Lebanon	1966
Luxembourg	1964
Morocco	1967
Netherlands	1957
Norway	1958
Sudan	1966
Sweden	1957
Switzerland	1959
Syria	1962
Tunisia	1968
Turkey	1966
United Arab Republic	1958
United Kingdom	1960
West Germany	1960 <u>a/</u>
Yugoslavia	1956

a. Provisional agreement.

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Table 2

**Free World Airlines Serving Hungary
as of April 1970**

<u>Code a/</u>	<u>Airline</u>
AF	Air France
AY	Finnair
BE	BEA (British European)
JU	JAT (Yugoslavia)
KL	KLM (Royal Dutch)
LH	Lufthansa German Airline
OS	AUA Austrian
SK	SAS (Scandinavian)
SN	Sabena (Belgium)
SR	Swissair

*a. Airline code designated by the International
Air Transport Association (IATA).*

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Table 3

MALEV (The Hungarian State Airline)
Schedule of International Flights to the Free World
Summer 1970

Route	Trip Number	Flights Per	Types of Aircraft
Budapest-Bucharest-Istanbul	MA 200	2	IL-18
Budapest-Istanbul-Cairo	MA 210	1	IL-18
Budapest-Athens-Cairo	MA 220	1	IL-18
Budapest-Athens-Nicosia-Damascus	MA 230	1	IL-18
Budapest-Beirut	MA 240	2	IL-18
Budapest-Tunis-Casablanca	MA 300	1	IL-18
Budapest-Rome	MA 400/402	2	IL-18
Budapest-Milan	MA 410	1	IL-18
Budapest-Dubrovnik a/	MA 421/423	2	TU-134
Budapest-Belgrade-Tirana	MA 431	1	IL-18
Budapest-Vienna-East Berlin	MA 500/502	3	TU-134
Budapest-Munich	MA 510	1	TU-134
Budapest-Frankfurt	MA 520	1	TU-134
Budapest-Frankfurt-Paris	MA 530/532	1	IL-18
		1	TU-134
Budapest-Frankfurt-Amsterdam	MA 540	1	TU-134
Budapest-Paris	MA 550/552	2	IL-18
Budapest-Zurich	MA 564	2	TU-134
Budapest-Zurich-Brussels	MA 570/572	1	IL-18
		1	TU-134

CONFIDENTIAL

- 9 -

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Table 3

MALEV (The Hungarian State Airline)
 Schedule of International Flights to the Free World
 Summer 1970
 (Continued)

Route	Trip Number	Flights Per Week	Types of Aircraft
Budapest-Luxembourg	MA 600	1	TU-134
Budapest-London	MA 610/614/ 616	2 1	IL-18 TU-134
Budapest-Prague-Amsterdam	MA 640	2	IL-18
Budapest-East Berlin-Copenhagen- Helsinki	MA 700	1	IL-18
Budapest-East Berlin-Stockholm- Helsinki	MA 710	1	TU-134
Budapest-Copenhagen-Stockholm	MA 720	1	TU-134
Budapest-East Berlin-Copenhagen- Oslo	MA 730	1	TU-134

a. Summer service.

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- 10 -

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25X6

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